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Delivering Energy to Improve Lives

No. EIB 21-27 (R): Kinder Morgan Opening Statement

Proposed Rule 20.2.50 – Oil and Gas Sector – Ozone Precursor Pollutants
Commencement of Hearing: September 20, 2021

- Ana Gutiérrez, Hogan Lovells

- On behalf of Kinder Morgan, Inc., El Paso Natural Gas Company, L.L.C., TransColorado Gas Transmission Co., LLC, and Natural Gas Pipeline Company of America, LLC

Globally: “Kinder Morgan” in all subsequent references during this hearing

Overview

- An introduction to Kinder Morgan
- The transmission segment of the natural gas supply chain
- Framing the discussion
- Priority matters for the Board’s consideration

Thank you.

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Thank you to the department, the other parties and their counsel, as well as the Board for everyone's work leading up to these hearings

An introduction to Kinder Morgan

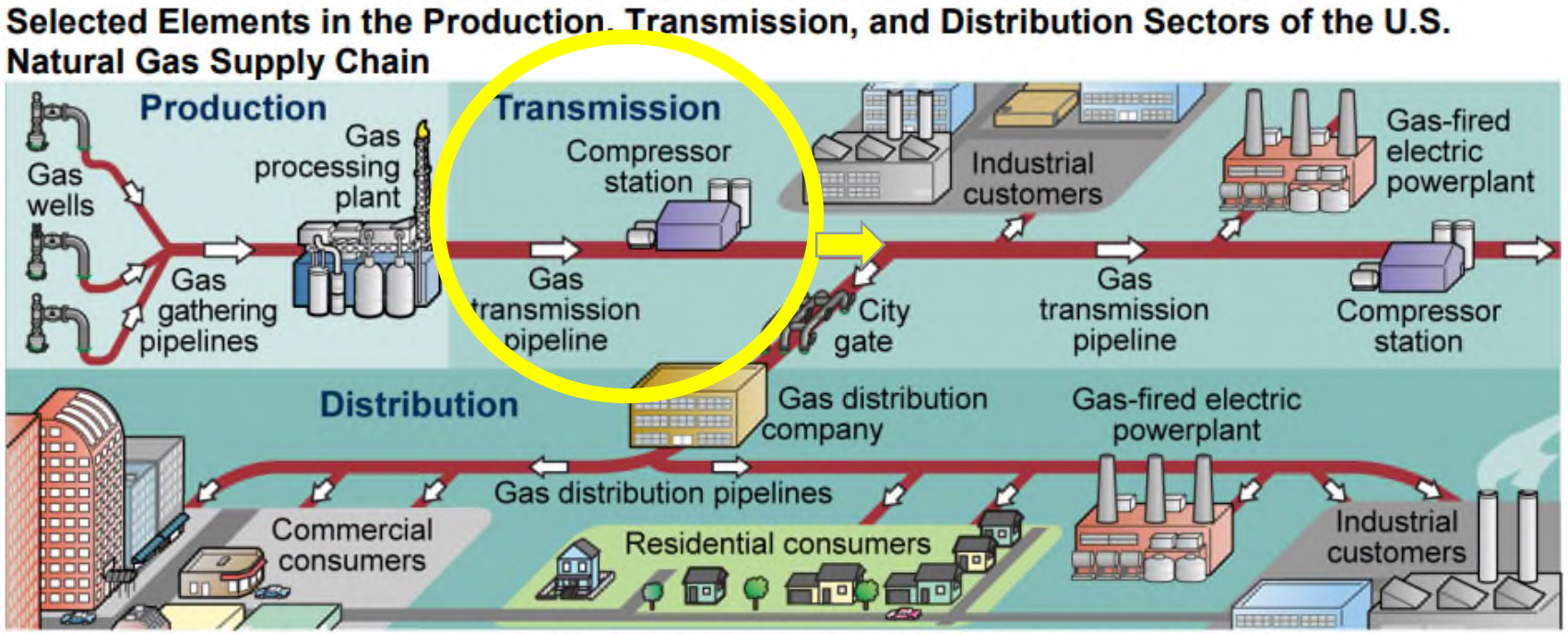
- Kinder Morgan provides energy transportation services in a safe, efficient, and environmentally responsible manner for the benefit of people, communities, and businesses.

- In New Mexico, Kinder Morgan operates approximately 3,595 miles of transmission pipelines and owns assets in 23 counties throughout the state, including in counties that are the subject of the Proposed Rules.

- In New Mexico alone, Kinder Morgan employs approximately 180 individuals, maintains a payroll of over $16.6 million, and pays approximately $8.8 million annually to local and state taxing bodies.

An introduction to Kinder Morgan

- Reliable and affordable energy sustains and improves our everyday lives. It lights and heats our homes and powers businesses and transportation.



Source: GAO analysis of Energy Information Administration and Natural Gas Council documents. | GAO-20-658

What makes the transmission segment unique

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Production & Processing

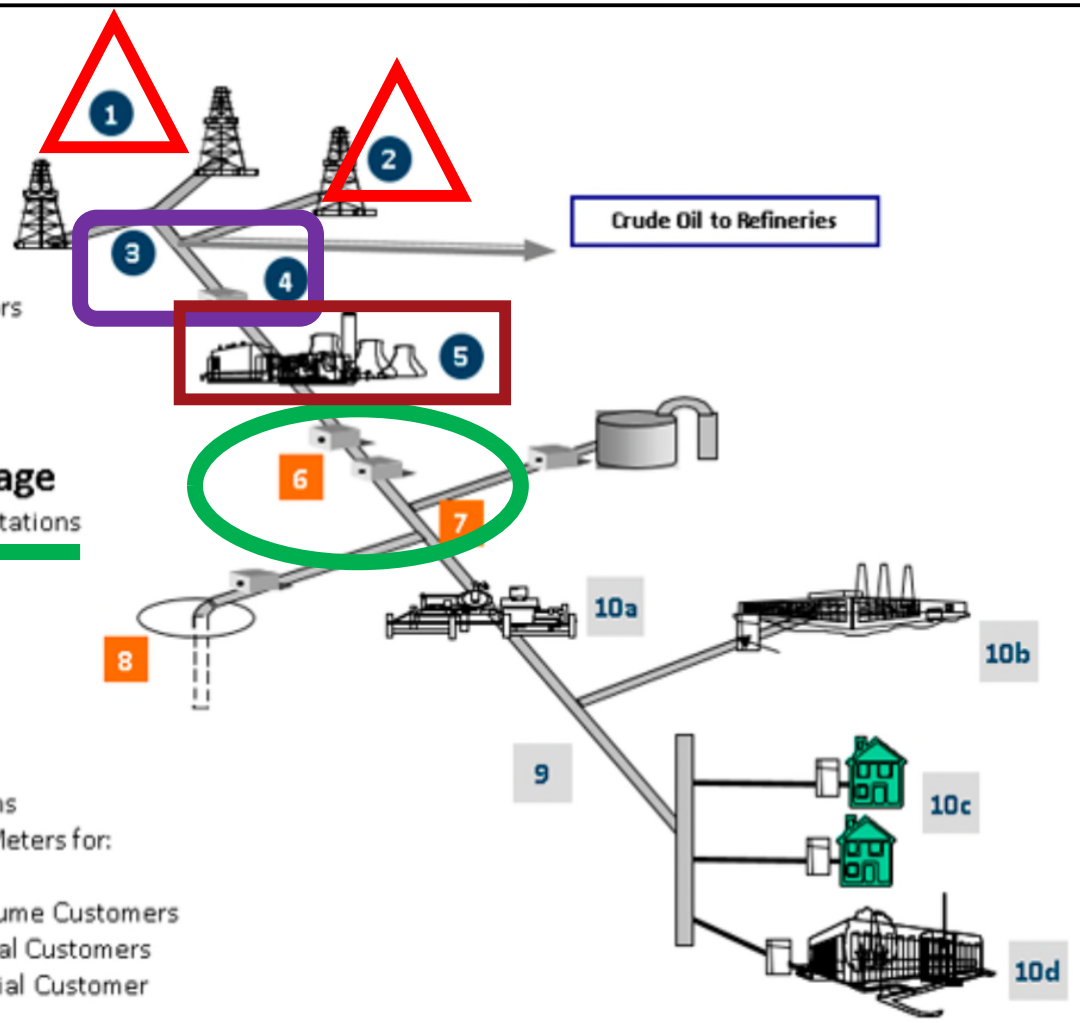
1. Drilling and Well Completion
2. Producing Wells
3. Gathering Lines
4. Gathering and Boosting Compressors
5. Gas Processing Plant

Transmission & Storage

6. Transmission Compressor Stations
7. Transmission Pipeline
8. Underground Storage

Distribution

9. Distribution Mains
10. Regulators and Meters for:
    a. City Gate
    b. Large Volume Customers
    c. Residential Customers
    d. Commercial Customer



Source: Adapted from the American Gas Association and EPA Natural Gas STAR Program.

What makes the transmission segment unique

- Kinder Morgan transports pipeline quality natural gas.
  - This “sweet” natural gas has already been processed and has much lower VOC content than gas that is produced, transported, and processed at well production facilities, natural gas gathering and boosting compressor stations, and natural gas processing plants

EPNG Representative Gas Quality in NM
Summary of Annual Average VOC Content

Transmission Compressor Station	Annual* VOC Content by Weight
Caprock	0.775%
Eunice	0.206%
Monument	0.820%
Rio Vista	0.633%
Washington Ranch	0.436%

* For July 2020 to July 2021.

What makes the transmission segment unique

- Operational differences
  - i.e., Kinder Morgan “pigs” much more infrequently than operators in the gathering and boosting segment

- FERC-regulated transmission pipelines
  - Must obtain a certificate (i.e., permit), which involves an extensive environmental review process under NEPA
  - FERC-enforced delivery obligations

Framing the discussion

74-2-5 NMSA

C. If the environmental improvement board or the local board determines that emissions from sources within the environmental improvement board's jurisdiction or the local

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board's jurisdiction cause or contribute to ozone concentrations in excess of ninety-five percent of the primary national ambient air quality standard for ozone promulgated pursuant to the federal act, the environmental improvement board or the local board shall adopt a plan, including rules, to control emissions of oxides of nitrogen and volatile organic compounds to provide for attainment and maintenance of the standard. Rules adopted pursuant to this subsection shall be limited to sources of emissions within the area of the state where the ozone concentrations exceed ninety-five percent of the primary national ambient air quality standard.

Framing the discussion

TITLE 20 ENVIRONMENTAL PROTECTION
CHAPTER 2 AIR QUALITY (STATEWIDE)
PART 50 OIL AND GAS SECTOR – OZONE PRECURSOR POLLUTANTS

. . .

20.2.50.6 OBJECTIVE: The objective of this Part is to establish emission standards for volatile organic compounds (VOC) and oxides of nitrogen (NOx) for oil and gas production, processing, compression, and transmission sources.
[20.2.50.6 NMAC - N, XX/XX/2021]

. . .

Framing the discussion

74-2-5 NMSA

F. In making its rules, the environmental improvement board or the local board shall give weight it deems appropriate to all facts and circumstances, including:

(1) character and degree of injury to or interference with health, welfare, visibility and property;

(2) the public interest, including the social and economic value of the sources and subjects of air contaminants; and

(3) technical practicability and economic reasonableness of reducing or eliminating air contaminants from the sources involved and previous experience with equipment and methods available to control the air contaminants involved.

Framing the discussion

Cost/ton threshold determined reasonable	Context/Agency
$7,000 / ton of NOx	NMED, Regional Haze Rulemaking (2019)
$6,400* / ton of NOx	Colorado Air Quality Control Commission, Regulation of Then-Existing Rich Burn Reciprocating Internal Combustion Engines
$5,500* / ton of NOx	New York State Department of Environmental Conservation, Existing Source RACT
$3,750 / ton of NOx	Pennsylvania Department of Environmental Protection, Major Source RACT III
$7,500 / ton of VOC	Pennsylvania Department of Environmental Protection, Major Source RACT III
$6,400* / ton of VOC	Colorado Air Quality Control Commission, Regulation of Then-Existing Lean Burn Reciprocating Internal Combustion Engines
$5,700 / ton of VOC	EPA, Standards of Performance for Equipment Leaks, synthetic organic chemicals manufacturing industry and petroleum refineries (relied upon by the Obama Administration in 2016 NSPS OOOOa rule)
$5,299 / ton of VOC	EPA, NSPS OOOO (Regarding control of wet seals, "[t]he VOC control effectiveness for the processing and transmission/storage segments were $5,299 and $31,133 respectively. Therefore, Regulatory Option 3 was rejected due to high VOC cost effectiveness.")

* Adjusted to today using the Bureau of Labor Statistics' calculation tool.

Priority matters for the Board's consideration

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- **Definitions**
  - Adopt the definitions in the September 16 draft proposal that relate to "transmission compressor station" and which delete the term "natural gas compressor station."

- **Engines and Turbines**
  - Adopt engines and turbines standards (Tables 1, 2, and 3), as proposed
  - Adopt compliance schedule for turbines, as proposed
  - Adopt workable alternative compliance options, addressing technical and economic feasibility on an individual-unit basis

- **Compressor Seals**
  - Not cost-effective for the transmission and storage segment

- **Leak detection**
  - Adopt reasonable frequencies for transmission, and allow for compliance with the federal NSPS leak detection programs (other than for frequencies)

Questions?